Annual Report

2011-12

Department of Municipal Affairs

Newfoundland
Labrador

Message from the Minister

In accordance with Government's *Transparency and Accountability Act*, I have the honour of submitting to the House of Assembly the Annual Report of the Department of Municipal Affairs for the year ended March 31, 2012. The activities of the Department are guided by its Vision: **communities with viable, sustainable municipal services led by strong local governments**.

I am pleased to report that the Department has made good progress on its strategic issues during the first year of our 2011-14 Strategic Plan. For this period, the Department identified three major issues to address: appropriate municipal infrastructure, strong local governments and local government sustainability. This year we drafted a framework to obtain the best value for infrastructure investments, and identified policies and procedures which will contribute to strengthened local governments. We also worked with communities to examine sustainability issues by conducting 30 community capacity assessments and 10 regional cooperation opportunities assessments.

As Minister, I am accountable for the development of the 2011-12 Annual Report and the results reported. I look forward to continued progress on addressing issues of key importance to municipalities in the coming years.

Sincerely yours,

Kevin O'Brien
Minister

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Departmental Overview

The Department of Municipal Affairs delivers programs and services to enable people to enjoy healthy, safe and sustainable communities that are supported by strong local governments. The Department supports the financial stability and viability of municipalities, and the efficient and effective delivery of municipal services. The Department assists municipalities in meeting their infrastructure needs and provides the financial and administrative tools to support sound municipal governance.

The Department also supports a number of key Government level initiatives, including the Waste Management Strategy, the Northern Strategic Plan and the Drinking Water Safety Initiative.

Mandate

The mandate of the Department of Municipal Affairs is derived from the Department of Municipal and Provincial Affairs Notice, 2003 under the *Executive Council Act*. It is informed by the legislation set out in the Schedule (see Appendix A for a list of Acts in the Schedule) which outlines the powers, duties and functions of the Minister, who is also appointed Registrar General. The Department of Municipal Affairs is directly responsible for all matters relating to municipal and provincial affairs.

The Department is a Category 1 entity under the Province's *Transparency and Accountability Act,* and is required to prepare 3-year strategic plans and annual performance reports in compliance with the *Act*.

Lines of Business

Lines of business are the major programs, products or services provided to our primary clients. The Department of Municipal Affairs has five main lines of business: (1) Local Governance, (2) Municipal Infrastructure and Engineering Services, (3) Employment Support, (4) Provincial Affairs, and, (5) Financial Services. These lines of business are outlined below:

1. Local Governance

The Department strengthens local governance by:

- formulating land use policy and regional approaches to service delivery;
- providing municipal training to elected and administrative officials;
- providing legislative interpretation to assist in the development of municipal by-laws;
- advising local government officials;

- conducting reviews of municipal administrative matters;
- administering grants and subsidies for community infrastructure;
- examining local governments' financial operations;
- monitoring levels of debt;
- providing operational support;
- participating in inter-provincial policy development and knowledge sharing; and
- supporting regional cooperation initiatives.

2. Municipal Infrastructure and Engineering Services

The Department guides infrastructure investments by:

- assessing needs and prioritizing municipal infrastructure investments;
- providing financial support for the development of municipal infrastructure;
- monitoring and providing guidance and advice on municipal infrastructure projects;
- negotiating and managing federal-provincial agreements for municipal infrastructure funding.

3. Employment Support

The Department works with local, community-based sponsors to create short-term employment initiatives that provide enduring benefits to communities. Additionally, Government has assigned the Department the responsibility to provide similar employment support programs in areas affected by permanent closure of fish processing plants and to coordinate interdepartmental efforts to assist workers affected by permanent fish plant closures.

4. Provincial Affairs

The Department has statutory responsibilities in relation to the following provincial affairs:

- coordinating annual ceremonies to honour our veterans;
- approving the use of legislated provincial identification symbols;
- prescribing and evoking *Newfoundland Daylight Time*;
- Great Seal of the Province; and
- Registrar General for the Province.

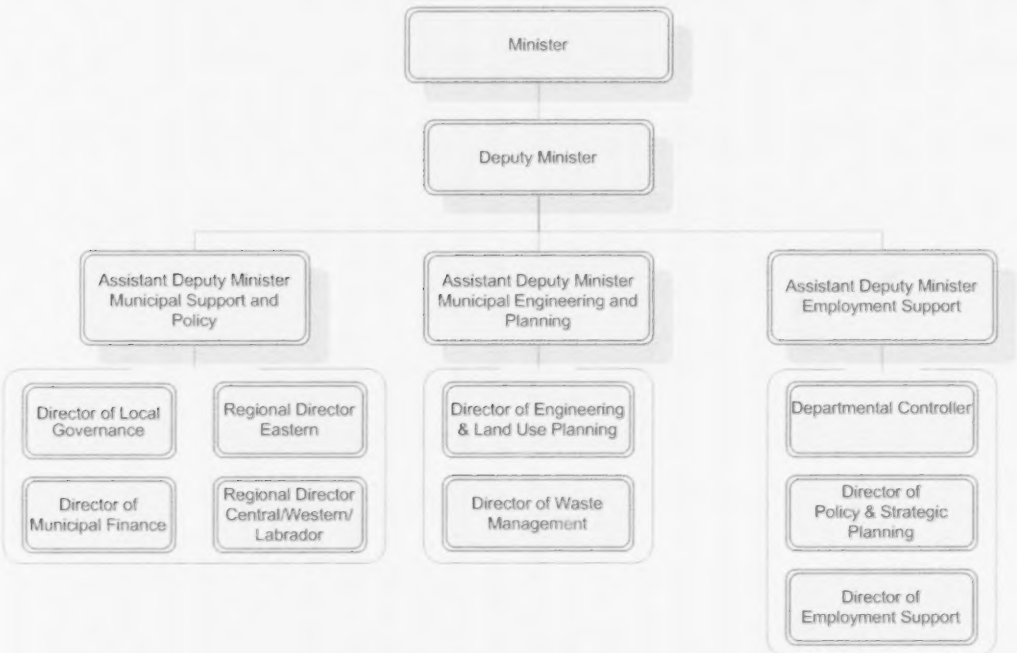
5. Financial Services

The Strategic Financial Management Division supports the financial management in the following Government departments and agencies: Department of Municipal Affairs; Service Newfoundland and Labrador; Department of Environment and Conservation; Department of Innovation, Business and Rural Development; Department of Tourism, Culture and Recreation; the Government Purchasing Agency, Fire and Emergency Services-NL, and the Labour Relations Agency.

Organizational Structure

The Department delivers its programs and services through three branches: Municipal Support and Policy, Municipal Engineering and Planning, and Employment Support. The three branches deliver five main lines of business: Local Governance, Municipal Infrastructure and Engineering Services, Employment Support, Provincial Affairs and Financial Services.

While Fire and Emergency Services – Newfoundland and Labrador is accountable to the Minister of Municipal Affairs, under Government's accountability requirements, the agency has its own business plan and annual report. The Municipal Assessment Agency also reports to the Minister of Municipal Affairs, but it also has its own business plan and annual report.


Minister
Deputy Minister
Assistant Deputy Minister Municipal Support and Policy
Assistant Deputy Minister Municipal Engineering and Planning
Assistant Deputy Minister Employment Support
Director of Local Governance
Regional Director Eastern
Director of Municipal Finance
Regional Director Central/Western/ Labrador
Director of Engineering & Land Use Planning
Director of Waste Management
Departmental Controller
Director of Policy & Strategic Planning
Director of Employment Support

Budget and Expenditures

The Department's approved budget, excluding Fire and Emergency Services – Newfoundland and Labrador, for 2011-12 was $301.9 million, a decrease of $14.1 million over 2010-11. The net decrease in infrastructure budget is due to the conclusion of major Federal stimulus infrastructure programs. Approximately $295.3 million or 97.8 per cent was budgeted for financial assistance to municipalities through such programs as financial support for municipal infrastructure development, municipal operating grants, debt relief and special assistance. The remaining $6.6 million or 2.2 per cent was directed to expenditures in salaries and operating costs to deliver programs and services. The Department's 2011-12 budget included federal revenues of $73 million, and provincial

revenues of $1.3 million, to offset total funding such that the net Provincial funding is $227.6 million.

Net expenditure for fiscal 2011-12, after revenue, totalled $197.1 million, an increase of $4.8 million from 2010-11. In 2011-12, gross expenditures increased by $2.7 million and revenues decreased by $2.1 million, which accounts for the $4.8 million difference. For further budget details see Appendix B – Financial Statements.

Staff Complement

In 2011-12, the Department had a total staff complement of 130 positions (79 males and 51 females), which includes 16 financial services positions that also provide financial management support to four other Government departments and two agencies. The educational backgrounds and skills of Departmental staff are diverse and reflect the Department's role in providing expertise to local governments in the areas of financial management, municipal administration, engineering, land use planning, employment support, legislative interpretation, and training for elected and non-elected municipal officials.

The Department's headquarters is located in St. John's. Primary public services offered through this office are: municipal programs and policy development; project management for municipal infrastructure projects; waste management; industrial water supply; land use planning; municipal financing support; legislative development and interpretation; municipal training; and short-term employment creation.

Four regional offices are located in: St. John's (Eastern Region), Gander (Central Region), Corner Brook (Western Region), and Happy Valley–Goose Bay (Labrador Region). Primary services offered by the regional offices are: municipal infrastructure project assessments and project management, municipal training, and legislative and administrative support.

The Department also maintains staff in Clarenville, whose primary function is to provide municipal infrastructure project assessments and project management with respect to water systems projects.

Staff complement by location is as follows:

Location	Staff Complement
St. John's – Headquarters	88
St. John's – Eastern Regional Office	16
Clarenville	1
Gander	9
Corner Brook – Western Regional Office	11
Happy Valley-Goose Bay	5
Total	**130**

Shared Commitments

The Department of Municipal Affairs collaborates with several provincial and federal government departments, as well as municipalities, particularly in the areas of land use planning, infrastructure development, environmental issues, regionalization of services, water quality, waste water treatment, waste management, employment support, and local governance. Consultation and cooperation with organizations responsible for these issues is necessary to develop and work toward shared goals.

Departmental Collaboration

The Department has been successful in establishing positive relationships with stakeholders that have led to improved policies, services and programs, thereby supporting the strategic directions of Government. The Department works closely with numerous organizations and associations including but not limited to:

- Municipalities Newfoundland and Labrador (MNL);
- Professional Municipal Administrators (PMA);
- Combined Councils of Labrador;
- Regional joint councils;
- Regional Waste Management Authorities and Committees;
- Regional Service Boards;
- Royal Canadian Legion;
- Provincial Government departments including Environment and Conservation, Transportation and Works, Service NL , Justice, the Rural Secretariat, Health and Community Services, Fisheries and Aquaculture, Tourism, Culture and Recreation, Intergovernmental and Aboriginal Affairs Secretariat, and Labrador Affairs Office;
- Multi-Materials Stewardship Board (MMSB);
- Municipal Training and Development Corporation (MTDC);
- Infrastructure Canada;
- Atlantic Canada Opportunities Agency (ACOA);
- Atlantic Canada Water Works Association;
- Lending institutions;
- Educational institutions;
- Professional Engineers and Geoscientists of Newfoundland and Labrador;
- Newfoundland and Labrador Construction Association;
- Planning Consultative Committee (Trans Labrador Highway Phase 3 Zoning Plan), and;
- Consulting Engineers of Newfoundland and Labrador.

Together with these organizations, the Department has made significant progress towards its strategic direction of *Appropriate Infrastructure Investment* and *Local Government Sustainability.*

Collaborative Accomplishments

Provincial Solid Waste Management Strategy

In May 2007, Government announced the implementation of the Strategy to ensure effective and efficient management of solid waste in Newfoundland and Labrador. The Department of Environment and Conservation is responsible for development of the Strategy, and the Department of Municipal Affairs is responsible for its implementation. Service NL and the Multi-Materials Stewardship Board also contribute to implementation of the Strategy. Municipal Affairs' role includes: working with community leaders to develop and implement solid waste management plans, establishing and working with regional waste management committees and authorities, and providing project management oversight for capital projects associated with implementation of the Strategy.

Capital expenditures totaled $41.8 million for the 2011-12 fiscal year. Of this amount, $24.1 million was for capital infrastructure and equipment for the Central Newfoundland waste management system. A major milestone was reached when the regional full-service site located near Norris Arm North went into operation in February 2012. Construction activity is complete at seven local transfer stations strategically located throughout the region which began operations in spring 2012. With the completion of these facilities, 42 existing dumpsites were closed.

Central Regional Administration Office – Norris Arm North

The Eastern regional site at Robin Hood Bay, including the landfill site, material recovery (recycling) facility, and household hazardous waste facility, now services all communities on the Avalon peninsula. Curbside recycling is being provided to residents in 50 communities, both urban and rural, throughout the region.

The Western Waste Management Committee is continuing its analysis of a long term solution for the Western region, as well as supporting efforts to close a number of dump sites. Since the fall of 2011, six sites were closed.

The Northern Peninsula Regional Service Board continues to deliver consolidated waste management services on the Northern Peninsula. This year they expanded their geographic range of service and opened a new landfill site at Hawke's Bay to serve this sub-region. In

Labrador, an additional $2.9 million was provided to complete the public drop off area, access road, scales and kiosk, as well as the landfill expansion for the Labrador West landfill site.

The Department is actively engaged with communities in every region of the province to find sustainable waste management solutions. In total, there are 20 regional or sub-regional entities that are in various stages of study and implementation with a common goal of providing shared waste management services that provide the most cost efficient means to meet the objectives of the waste management strategy.

As a result of these regional cooperation initiatives, 47 dump sites were operationally closed during the past year, and interim consolidation plans continue to be developed that will facilitate additional site closures in the coming year.

Municipal Affairs' waste management initiatives contributed to the Government's strategic direction of *Appropriate Infrastructure Investment*.

Highlights and Accomplishments

Community Cooperation Supports

The Department undertook a number of initiatives to support community cooperation and regional service delivery. Over the year the Department facilitated discussions among 12 groups of communities involving a total of 32 communities. These communities had expressed interest in exploring cooperation initiatives, such as amalgamations, mergers, and regional delivery of services.

Several feasibility studies and pilot projects were funded by the Department. A feasibility study was undertaken to examine options for a regional fire service for the towns of Conception Bay South, Paradise and Holyrood. A study was funded to examine the feasibility of annexing the local service district of Benton to the town of Gander. The Department agreed to support Bonavista North communities by funding a pilot project whereby communities in the region will share a water system operator, thereby increasing each community's access to technical expertise.

In its 2011-14 Strategic Plan, the Department identified *Community Cooperation* as a component of the strategic direction *Local Government Sustainability*.

Modern Legislation

The Department conducted a review of the *Municipalities Act, 1999,* including a review of similar legislation in other jurisdictions. As a result, numerous amendments were made to improve and modernize the legislation. Amendments included: requirements for municipal financial statements to be prepared with standards used by public sector bodies across Canada; measures to address inconsistent and inequitable application of minimum property tax; measures to improve effectiveness of tax sales to collect municipal tax arrears and disposal of municipal property to be undertaken in a more open and transparent manner.

In its 2011-14 Strategic Plan, the Department identified *Modern Legislation* as a component of the strategic direction *Local Government Sustainability*.

Gas Tax Agreement

Through the Canada/Newfoundland and Labrador Gas Tax Agreement, the federal government provides funding to support environmentally sustainable municipal infrastructure. The Department of Municipal Affairs administers this funding. The current agreement will provide $124.6 million to municipalities over the period 2010 - 2014. Eligible project categories include: drinking water, waste water management, solid waste management, public transit, community energy systems, municipal capacity building, and transportation infrastructure (roads and bridges). In fiscal year 2011-12, the Department

paid to municipalities $15.2 million in predetermined municipal allocations and $10.1 million for regional solid waste management initiatives.

The Department required all municipalities to be fully Public Sector Accounting Board (PSAB) compliant in their 2010 Audited Financial Statements, which were due June 30, 2011, as doing so is a fundamental requirement of complying with the stipulations of the bilateral agreements. By March 31, 2012, 267 financial statements had been received and 97% could be considered to be fully PSAB compliant. One-on-one guidance and support continues to be provided by the Department to those municipalities deemed non-compliant to assist them in completing their conversion and working through any issues they have in adopting the Public Sector Accounting Board Standards.

The Department also provides PSAB assistance to all municipalities and/or their auditors, through the Department's PSAB website: www.ma.gov.nl.ca/ma/for/psab/index.html. This website is continuously updated to include applicable training materials, reference manuals and Consolidated Financial Statements templates reflective of the current Public Sector Accounting Board Standards.

Development of Integrated Community Sustainability Plans (ICSPs) is also a requirement of the Canada/Newfoundland and Labrador Gas Tax Agreement. By March 31, 2012, municipalities had submitted 199 ICSPs representing 264 municipalities.

The Department of Municipal Affairs' administrative support of the Gas Tax Agreement contributed to the strategic direction of *Appropriate Infrastructure Investment*.

Special Assistance Grants

The Department continued to provide assistance to towns in central Newfoundland that experienced financial difficulties due to a decrease in taxation revenues resulting from the closure of the AbitibiBowater mill in Grand Falls-Windsor in 2009. The municipalities of Grand Falls-Windsor, Bishop's Falls, Botwood, Buchans, and Terra Nova received a total of $343,150 in Special Assistance grants in 2011. This is the final year of three years of transitional assistance funding.

In addition, the Special Assistance fund provided grants to various municipalities and non-municipal organizations experiencing emergency needs related to water and sewer, roads, recreation, fire services, municipal buildings, training and various other needs.

Municipal/Community Infrastructure

Municipalities throughout Newfoundland and Labrador are facing a variety of infrastructure demands including upgrading existing infrastructure or installing new infrastructure. The Department continued to make significant investments in municipal infrastructure, including roads and bridges, drinking water treatment and distribution, sewage collection and treatment systems, and recreation facilities. Government's 2011-12 budget provided for $169.4 million in provincial investment for municipal infrastructure - an increase of $33.9

million over that budgeted for 2010-11. This enabled leveraging an additional $1.0 million in federal funding provided under the various federal-provincial cost-shared agreements, for a total municipal infrastructure program budget of $170.4 million. Details of the Department's expenditures for 2011-12 are contained in the financial statements in Appendix B.

The Department continued to support Government's Rural Drinking Water Safety Initiative. In 2011-12, $17.5 million was invested in drinking water treatment, distribution, and feasibility studies, including initiatives undertaken to serve rural communities.

Municipal Affairs' infrastructure investments contributed to the Department's strategic direction of *Appropriate Infrastructure Investment.*

Water Supply Maintenance Assurance

In support of Government's focus on providing safe drinking water for communities, the Department funded a pilot project whereby a team of consultants developed water system maintenance assurance manuals for four municipalities: Springdale, Pasadena, Clarenville and Happy Valley-Goose Bay. The municipalities implemented the policies and procedures outlined in the manuals during a pilot period of January to December 2011. Results of the pilot were evaluated in winter 2012. Findings indicated that the maintenance assurance manuals improved maintenance records and practices, as well as better informed municipal councils about their water system operations. The Department is continuing to work with the Department of Environment and Conservation to develop and implement the use of water and wastewater maintenance assurance manuals. This initiative supported the strategic direction of *Local Government Sustainability*.

Land Use Planning

Regional plans provide a framework to ensure a balance between demands for development, natural resource use, and the need to protect the environment and enhance tourism potential. Regional planning is facilitated by regional planning authorities. These entities are mandated to oversee the preparation of a regional plan including the development of an appropriate public consultation process.

There are currently regional land use plans under development for three regions in the Province: Northeast Avalon, Humber Valley, and the Labrador Inuit Settlement Area. The Minister of Municipal Affairs is the authority for the Northeast Avalon and Humber Valley regions, and public entities comprising municipal and provincial government representatives were established to assist with the preparation of those plans. With regards to the Humber Valley Plan, the Humber Valley Regional Planning Advisory Authority submitted a draft regional plan for consideration of the Minister in March, 2011.

The Regional Planning Authority for the Labrador Inuit Settlement Area comprised persons jointly appointed by the Province and the Nunatsiavut Government. The Regional Planning Authority submitted the final draft of the regional plan to the Government of Newfoundland and Labrador and the Nunatsiavut Government in March 2012. The plan is under consideration by both governments.

The Northeast Avalon regional plan is still under development. The Department's support for development of regional land use plans contributed to the strategic direction outcome of *Strengthened Local Government.*

In addition to supporting development of regional plans, the following plans, regulations and amendments were registered in 2011-12: 9 new municipal plans and development regulations, 38 amendments to municipal plans, and 76 amendments to municipal development regulations.

Employment Support

The Department delivered an employment support program that served approximately 2,170 workers in rural communities that face significant employment challenges. These individuals worked on approximately 315 different projects with a total cost of approximately $8.9 million.

Vision

The vision of the Department of Municipal Affairs is of communities with viable, sustainable municipal services led by strong local governments.

Mission

The mission statement identifies the priority focus area of the Minister over two strategic planning cycles. It represents the key longer-term result that the Minister and the Department will be working towards as they move forward on the strategic directions of Government. The statement also identifies the measure and indicators that will assist both the Department and the public in monitoring and evaluating success.

In carrying out its mission, the Department of Municipal Affairs will contribute to two of Government's strategic directions: appropriate infrastructure investment and local government sustainability. With regard to infrastructure investment, the Department will work towards the outcome of appropriate infrastructure to meet community needs by focusing on life cycle costing. With regard to local government sustainability, the Department will work towards the outcome of strengthened local government by focusing on community capacity assessments, and by enhancing policies and procedures.

Local governments are facing many challenges – changing population levels, increasing costs for infrastructure, and the requirement to deliver services that meet new environmental standards. Many communities are facing these challenges with limited financial and human resources. The Department is committed to assisting all communities to meet the needs of their residents in the most efficient and effective way possible.

Given these challenges, the long term mission is:

By March 31, 2017, the Department of Municipal Affairs will have strengthened infrastructure investments and supports to local governments.

Outcomes of Objectives

In consideration of Government's strategic directions and the mandate and financial resources of the Department, the following areas were identified as the key priorities of the Minister for the period April 1, 2011 – March 31, 2014: Appropriate Municipal Infrastructure, Strong Local Governments and Local Government Sustainability. The goals identified for each priority issue reflect the results expected in the three year timeframe while the objectives provide an annual focus. This report demonstrates the Department's performance in meeting the objectives in the first year of its Strategic Plan.

Issue 1: Appropriate Municipal Infrastructure

Municipal infrastructure is a primary responsibility of local governments. Local governments must not only contribute to the initial capital cost, but also provide ongoing funding to operate and maintain the infrastructure over its life span. It is critical that local governments are supported in selecting the best infrastructure to meet their needs, both in the short and long term, at an affordable price.

The Department of Municipal Affairs plays a critical role in assessing the best value for municipal infrastructure investments. Infrastructure projects require various levels of assessment depending on the complexity of the projects. A life cycle analysis is used to inform of the best investment options over the long term in order to obtain optimum value for municipal infrastructure investments. This includes consideration for costs of construction, operations and maintenance, taxes, financing, replacement and renovation. In 2011-12 the Department focused its efforts on developing a framework that will serve as a solid foundation for the implementation of this life cycle approach to maximizing municipal infrastructure investments.

Appropriate infrastructure investment is a strategic Government direction related to the Department of Municipal Affairs and life cycle costing is a critical component for achieving the outcome of appropriate infrastructure to meet community needs.

Goal 1: **By March 31, 2014 the Department of Municipal Affairs will have enhanced measures to obtain optimum value in municipal infrastructure investments.**

***2011-12 Objective*:** By March 31, 2012 the Department of Municipal Affairs will have developed a draft framework for obtaining optimum value for municipal infrastructure investments.

Performance Measure: Developed a draft framework.

INDICATORS	PROGRESS AND ACCOMPLISHMENTS
Determined types of infrastructure which require a life cycle analysis	The Department has determined that life cycle analysis would be required as part of the project evaluation process for the following types of infrastructure: drinking water treatment systems, water storage tanks, waste water treatment systems, and sewage lift stations. Some recreation facilities and solid waste management facilities may also require life cycle analysis where appropriate. It was determined that the standard tendering process would still be the best approach to obtaining optimum value for other categories of infrastructure such as roads, water distribution and wastewater collection systems. The types of infrastructure identified to most benefit from life cycle analysis are those that have a variety of proprietary solutions and are not amenable to comparison on a low tender capital cost basis only.
Developed draft policies	Draft policies have been developed for each of the infrastructure categories, specifying the criteria for the types of projects which will be subject to life cycle analysis. The policies outline the responsibilities of the municipality, engineering consultant and the Department with respect to the life cycle analysis process.
Updated engineering project guidelines	The general engineering project guidelines have been updated as follows: "Those projects that have been selected to proceed through a Request for Proposal process which incorporates life cycle analysis as a criteria for infrastructure selection will be required to follow specific guidelines that were recently developed and enacted by the Department relating to the implementation process for the particular type of infrastructure that is to be constructed."
Completed draft framework document	A draft framework document has been completed outlining the Department's approach to determining infrastructure investments, including the use of life cycle analysis for designated types of infrastructure.
Conducted staff training on draft framework and life cycle analysis	Staff training on the draft framework and life cycle analysis was conducted in late March. A total of 30 staff participated, including management, engineering, technical and administrative staff from headquarters and regional offices.

2012-13 Objective: By March 31, 2013 the Department of Municipal Affairs will have piloted the draft optimum value municipal infrastructure framework for select municipal infrastructure projects.

PERFORMANCE MEASURE	INDICATORS
Piloted the draft optimum value municipal infrastructure framework for select municipal infrastructure projects	• Selected sample project applications from each of the six infrastructure categories to be included in the pilot. The six categories are: water treatment, wastewater treatment, water storage tanks, sewage lift stations, recreational facilities, and material recovery (recycling) facilities.
	• Evaluated the selected project applications using the draft framework.
	• Reviewed the results of the pilot.
	• Revised the draft framework.

2013-14 Objective: By March 31, 2014 the Department of Municipal Affairs will have applied the optimum value municipal infrastructure framework to all municipal infrastructure projects.

Issue 2: Strong Local Governments

The public has increasingly high expectations for accountability of governments at all levels, and residents demand that modern services be delivered in the most cost-effective manner. In some cases, the Department's policies and procedures that provide the framework in which local governments operate may not provide sufficient supports to local governments to effectively and efficiently deliver programs and services. In 2011-12 the Department reviewed all of its policies and procedures and focused its efforts on identifying areas needing improvement.

Local government sustainability is a strategic Government direction related to the Department of Municipal Affairs and policies and procedures are critical components for achieving the outcome of strengthened local government.

Goal 2: **By March 31, 2014 the Department of Municipal Affairs will have enhanced policies and procedures to strengthen support to local governments.**

2011-12 Objective: By March 31, 2012 the Department of Municipal Affairs will have conducted a review of policies and procedures.

Performance measure: Conducted review.

INDICATORS	PROGRESS AND ACCOMLISHMENTS
Reviewed Departmental policies and procedures	The Department reviewed policies and procedures associated with a wide range of its programs and services. It was determined that some programs required revisions to existing policies or significant new policy development to facilitate efficient, transparent service to municipal clients. For some programs, enhancements to internal policies and procedures were required; for other programs policy development/updating was required with respect to issues which would have direct impact on stakeholders. Criteria used for identifying policy and procedure priority areas focused primarily on if they were: outdated, redundant, or not currently in existence. The resulting priority areas identified are listed below.
Conducted consultations with stakeholders	Discussions were conducted with external stakeholders where required on an ad hoc basis. These discussions were conducted to ensure and build consensus between all major stakeholders who are directly impacted by the Department's internal review of policies and procedures. For example, discussions with Municipalities Newfoundland and Labrador and Professional Municipal Administrators on Municipal "Long Service Awards" –

	which are awards for 20, 25, and 30 years of public service – were undertaken to ensure that the rules for presenting these service awards are consistent for all parties involved; which the Department ultimately concluded was the case.
Identified priority areas to be addressed	To address priority areas identified in the Department's internal review the following programs/services have been identified for development of new/revised policies and procedures in 2012-13: • Special Assistance • Municipal Operating Grants • Debt Servicing • Applications to Borrow • Gas Tax • Public Sector Accounting Board Standards implementation • Regional Cooperation • Local Government Grants • Municipal boundary extensions • Municipal Long Service Awards • Infrastructure application process • Community Relocation • Great Seal of the Province • Coat of Arms The Department has begun the process of developing and revising policies and procedures for many of these programs and services. In addition, for several of the programs the Department is developing computerized information management systems to enhance the efficiency and reliability of the new policies and procedures.

2012-13 Objective: By March 31, 2013 the Department of Municipal Affairs will have enhanced policies and procedures.

PERFORMANCE MEASURE	INDICATORS
Enhanced policies and procedures	• Developed new policies and procedures.
	• Revised existing policies and procedures.

2013-14 Objective: By March 31, 2014 the Department of Municipal Affairs will have conducted municipal training on new policies and procedures.

Issue 3: Local Government Sustainability

Many small rural communities are facing sustainability challenges with decreasing populations and tax revenues and increasing demands for services. Recently a number of communities in geographic proximity to each other have implemented a variety of measures to optimize their revenues and increase service delivery capacity.

The Department of Municipal Affairs recognizes the importance of identifying the sustainability opportunities available to local governments. The Department developed assessment frameworks on community capacity and regional cooperation to guide informed decision making on sustainability opportunities. Through the development of community capacity and regional cooperation opportunities assessments, the Department will identify specific opportunities tailored to community and regional needs and communicate these results to communities. Communities will have the option to further explore these opportunities, including working collaboratively with each other to increase the sustainability of local governments.

In general, the Community Capacity Assessments have revealed that most communities are experiencing challenges with changing demographics, retaining council members, cost increases for infrastructure, and cost increases in delivery of municipal services.

Regionalization could provide efficiencies of scale, improved delivery of services and local governance, and an increased ability to identify and access government funding programs and undertake local and regional initiatives.

Local government sustainability is a strategic Government direction related to the Department of Municipal Affairs and community capacity assessments are a critical component for achieving the outcome of strengthened local governments.

Goal 3: By March 31, 2014 the Department of Municipal Affairs will have identified options for local government sustainability.

2011-12 Objective: By March 31, 2012 the Department of Municipal Affairs will have identified local government sustainability opportunities by undertaking 30 community capacity assessments, 10 regional cooperation opportunities assessments, and meeting with communities to discuss opportunities.

Performance measure: Identified local government sustainability opportunities.

INDICATORS	PROGRESS AND ACCOMPLISHMENTS
Consulted with other Government Departments	The Department of Innovation, Business and Rural Development and the Rural Secretariat were informed of Municipal Affairs' local government sustainability initiative, and consulted on the draft community capacity assessment framework and the

	regional cooperation opportunities assessment framework. In addition, the Schooner Regional Economic Development Board was consulted on sustainability issues on the Burin peninsula.
Developed community capacity assessment framework	The Department decided that the best approach to the development of the community capacity assessment framework and the regional cooperation opportunities assessment framework was to develop one overarching framework that addressed both the community capacity and regional opportunities issues. The framework established a consistent approach to collection of local government financial and operational data and subsequent analysis. The following components are included in a community capacity assessment: current and potential issues, planning, legislative compliance, geography, governance, demographics, shared services, infrastructure needs, and finances.
Developed regional cooperation opportunities assessment framework	Analysis of the components of a community capacity assessment reveals whether there are opportunities for regional cooperation. In particular, components such as geography and whether or not a community is currently sharing services with neighbouring communities inform the regional cooperation opportunities assessment.
Completed 30 community capacity assessments	The Department conducted 30 community capacity assessments in all regions of the province, as follows: • Eastern – 14; • Central/Western – 14; and • Labrador – 2.
Completed 10 regional cooperation opportunities assessments	The Department conducted 10 regional cooperation opportunities assessments. These assessments involved groups of communities in geographic proximity to each other where regional cooperation opportunities had been identified through the community capacity assessment process. In the Eastern region, six regional assessments were completed involving a total of 18 communities. In the Central region, three regional assessments were completed involving a total of nine communities. In the Western region, one regional assessment was completed involving four communities.

Number of meetings with communities regarding community capacity assessments and regional cooperation opportunities	Municipal Affairs staff met with community representatives at the beginning of each community capacity assessment to explain the process and to begin data collection. Following analysis of all components of the community capacity assessment, staff advised communities of any issues needing to be addressed regarding legislative compliance, operational practices, and/or strengthening sustainability, including regional cooperation opportunities. Meetings regarding regional cooperation opportunities were held with communities on an individual and collective basis, as required. Any meetings with groups of communities were held following completion of community capacity assessments for all communities in the geographic area where regional cooperation opportunities had been identified. Meetings were held with communities to discuss community capacity assessments and/or regional cooperation opportunities, as follows: ○ Eastern region - 19 meetings ○ Central region - 21 meetings ○ Western region - 10 meetings ○ Labrador region - 2 meetings In addition to formal meetings with communities, staff were in regular contact with community representatives by phone, fax and email to collect data and address other issues associated with the assessments.

***2012-13 Objective*:** By March 31, 2013 the Department of Municipal Affairs will have identified local government sustainability opportunities by undertaking an additional 50 community capacity assessments, 15 regional cooperation opportunities assessments, and meeting with communities to discuss opportunities.

PERFORMANCE MEASURE	INDICATORS
Identified local government sustainability opportunities	• Completed 50 community capacity assessments.
	• Completed 15 regional cooperation opportunities assessments.
	• Number of meetings with communities regarding community capacity assessments and regional cooperation opportunities.

***2013-14 Objective*:** By March 31, 2014 the Department of Municipal Affairs will have identified local government sustainability opportunities by undertaking an additional 50 community capacity assessments, 15 regional cooperation opportunities assessments, and meeting with communities to discuss opportunities.

Opportunities and Challenges Ahead

There are many opportunities and challenges ahead as the Department focuses on its mission to strengthen infrastructure investments and support local governments.

The Department is developing new approaches to infrastructure investment, placing increasing emphasis on life cycle analysis to ensure that communities get the most appropriate infrastructure for their particular needs and circumstances, and that the infrastructure is the best value in the long term. This will be of particular importance to rural communities that need to provide essential services at a cost they can afford, both in the short and long terms.

The Department has identified a wide range of programs and services that require enhancement of policies and procedures to strengthen support to local governments. Policies and procedures will be designed to enhance accountability and to assist local governments in the effective and efficient delivery of programs and services. The challenge is to develop comprehensive policies and procedures for a large number of Departmental programs and services.

The Department continues to move forward to assist small rural communities that are facing sustainability challenges due to decreasing populations and tax revenues, and increasing demands for modern services. The Department has developed new tools to support communities in exploring sustainability options: community capacity assessments and regional cooperation opportunities assessments. The challenge is to ensure that communities have comprehensive information with regard to all the factors that need to be considered with regard to pursuing regional initiatives, including finances, legislative requirements and operational issues. These assessments will provide communities with an information base and analyses whereby sustainability opportunities can be pursued.

The Department of Municipal Affairs envisions a Province where people enjoy healthy, safe and sustainable communities supported by strong local governments. We look forward to working with municipal councillors and other stakeholders to make this vision a reality.

Appendix A: Legislative Acts

The Minister is responsible for:

- Assessment Act, 2006
- Building Standards Act
- City of Mount Pearl Act
- Coat of Arms Act
- Crown Corporations Local Taxation Act
- Evacuated Communities Act
- Fire Protection Services Act
- Floral Emblem Act
- Housing Association Loans Act
- Mineral Emblem Act
- Municipal Authorities Amendment Act, 1991
- Municipalities Act, 1999
- Provincial Flag Act
- Remembrance Day Act
- St. John's Centennial Foundation Act
- Standard Time Act
- Taxation of Utilities and Cable Television Companies Act
- Avian Emblem Act
- City of Corner Brook Act
- City of St. John's Act
- Commemoration Day Act
- Emergency Services Act
- Family Homes Expropriation Act
- Firefighter's Protection Act
- Housing Act
- Labrador Act
- Municipal Affairs Act
- Municipal Elections Act
- Provincial Anthem Act
- Regional Service Boards Act, 2012
- City of St. John's Municipal Taxation Act
- St. John's Municipal Council Parks Act
- Urban and Rural Planning Act, 2000

Appendix B: Financial Statements

Unaudited

Annual Report for Municipal Affairs 2011-12*

	Budget	Expenditure
Executive and Support Services		
Minister's Office: 1.1.01	305,100	326, 417
Executive Support: 1.2.01	858,200	835,322
Administrative Support: 1.2.02	233,500	269,814
Less Provincial Revenue	(5,000)	(22,365)
Strategic Financial Management: 1.2.03	1,200,800	1,090,238
Administrative Support - Capital: 1.2.04	20,000	27,641
Total Executive and Support Services	**2,612,600**	**2,527,067**
Services to Municipalities		
Regional Support: 2.1.01	1,723,800	1,634,690
Less Provincial Revenue	(169,000)	(153,353)
Municipal Finance: 2.1.02	396,500	405,952
Policy and Strategic Planning: 2.2.01	720,500	797,547
Engineering Services: 2.3.01	857,300	776,400
Less Provincial revenue	(438,000)	(441,341)
Industrial Water Services: 2.3.02	884,800	761,124
Less Provincial Revenue	(714,300)	(200,491)
Urban and Rural Planning: 2.3.03	556,400	764,297
Less Provincial Revenue	(5,200)	(6,418)
Total Services to Municipalities	**3,812,800**	**4,338,407**
Assistance and Infrastructure		
Municipal Debt Servicing: 3.1.01	9,896,600	10,293,531
Municipal Debt Servicing – Principal: 3.1.02	25,920,000	33,537,548
Municipal Operating Grants: 3.1.03	22,450,000	26,219,382
Special Assistance: 3.1.04	2,571,300	2,218,749
Community Enhancement: 3.1.05	5,055,700	9,251,229

	Budget	Expenditure
Municipal Infrastructure – Capital: 3.2.01	78,664,000	77,287,404
Federal/Provincial Infrastructure Programs – Capital 3.2.02	119,485,200	78,069,267
Less Federal Revenue	(41,815,000)	(31,035,793)
Canada/NL Gas Tax Program – Capital: 3.2.03	30,089,000	15,565,505
Less Federal Revenue	(31,166,000)	(31,166,000)
Total Assistance and Infrastructure	**221,150,800**	**190,240,822**
Total Department	**227,576,200**	**197,106,295**

** Expenditure and revenue figures included in this document are un-audited and based on public information provided in the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the Year ended 31 March 2012. Audited financial statements are a requirement at the government level and are made public through the Public Accounts process; however the Department of Municipal Affairs is not required to provide a separate audited financial statement.*